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SUBJECT: BACHELET'S STATE OF THE UNION: EDUCATION AGAIN

¶1. (SBU) Summary: President Bachelet gave her third State of the Union address and announced increased social spending of USD 222 million. Highlights of her lengthy address include announcements on education, science and technology, labor, political and electoral reform, and Chile's international standing and foreign policy. While discussing energy, Bachelet said that she will meet with alternative energy experts and visit a solar power plant on her upcoming visit to the U.S. She also mentioned by name the Chile-California partnership and the Equal Opportunities Scholarship Program. She called on Chile to adopt a more active role in promoting international agreements and solutions to world challenges. The big question remaining is whether or not she can push through key pieces of her agenda before upcoming municipal elections in October. End Summary.

¶2. (U) President Bachelet gave her third State of the Union address to the Chilean Congress on May 21. Members of her cabinet, the diplomatic corps (including the Charge d'Affaires a.i.) and other prominent Chileans were in attendance. As in previous years, she announced increased social spending (though the USD 222 million is far less than last year) in the areas of education, health, and on a new subsidy for pensioners, among others, in order to "deepen" her administration's focus on creating a social safety net for all Chileans.

#### Education, Innovation, and Chile's International Standing

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¶3. (U) Bachelet's address reviewed achievements of her administration -- pension system reform among them -- and presented her focus for 2008. Highlights of her nearly two-and-a-half hour speech include:

-- Education: Bachelet presented 2008 as the year of education accords. She announced measures including 1000 scholarships for university students to study abroad in 2008 (with 2,500 projected for 2009 and 6,500 by 2012), additional new scholarships for language training and for students with technical degrees, personal computers for the best underprivileged elementary school students, free university entrance exams for the poorest students, and mobile computer labs for Chile's municipal schools. Educational policy reforms are also in the works, including a plan for improving teacher training.

-- Science and Technology: Bachelet announced a program to bring foreign experts to teach at Chilean universities, especially in the regions, and new investments to diversify aquaculture, acquire scientific equipment in priority areas, and bring 35 new municipalities online.

-- Labor: Bachelet announced measures to strengthen collective bargaining, including the creation of a National Labor Union School and promotion of an end to the restriction keeping union leaders from running for congressional seats. (Her announcement comes as Chile's percentage of unionized workers is at its lowest since 1990 and on the heels of major protests by sub-contracted mining workers that shut-down some of Chile's state-owned copper mining operations

for days.)

-- Political and Electoral Reform: Bachelet made a forceful call for the right to vote for Chileans living abroad, an end to Chile's binomial electoral system, and popular election of regional authorities (currently designated by the President). She also stated her support for voluntary voting now that Congress recently approved an automatic registration measure and announced a bill to reform political parties.

-- International Standing and Foreign Policy: The President announced budget increases of up to USD 25 million for this year and USD 40 million for 2009 for promoting Chile's "country image" abroad. Bachelet also announced a "new phase" for Chile's foreign policy and a plan to "modernize" the Foreign Ministry -- including a complete reorganization - that will be presented in 90 days.

Ties with the U.S. and a "New Phase" for Foreign Policy

14. (U) Bachelet mentioned the U.S.-Chile bilateral relationship explicitly during her announcement of more scholarships: "All of this we will do by cooperating closely with some of the world's greatest powers in the area of education and knowledge. For this we are working on a new Chile-California plan and we have already launched the Equal Opportunities Scholarships with the United States." She also mentioned plans to build similar programs with

the UK, Canada, Australia, New Zealand and other countries.

15. (U) In her discussion of Chile's energy needs Bachelet mentioned renewable energy and said that she will meet with alternative energy experts and visit a solar power plant on her upcoming visit to the U.S. She announced efficiency measures, mentioned Chile's efforts to use and produce biofuels, and ended with a clear statement in favor of hydro-electricity (currently at the center of a hot dispute between environmental groups and energy companies with concessions to build large dams in the Aysen region). She made no mention of nuclear power.

16. (U) In Bachelet's call for a "new phase" in Chile's foreign policy, she first affirmed that Chile's "Wager on political and economic insertion that began in 1990 has without a doubt been the right one." She then stated that Chile must continue to insert itself in a globalized world by actively participating in the generation of international agreements that can meet "new challenges" like: those presented by a complex international economy and its multilateral financial institutions; climate change; the food crisis; international peace and security; and the need for more effective and democratic international institutions. Bachelet also called for regional integration, mentioning neighbors Peru, Bolivia and Argentina and the importance of increasing links with Asia Pacific, which she called "Latin America's new frontier."

Reactions

17. (U) Unsurprisingly, reactions from Concertacion members were mainly positive, while the Alianza opposition criticized the address as lacking in substance regarding the economy, energy and agriculture, and for being "all talk and no action." A widely expected announcement exempting pensioners from the required seven percent withholding for the public health fund did not materialize, and its absence generated vociferous criticism across the political spectrum and overshadowed the announcements that were made. One leading opinion-maker cited this bungled opportunity as yet another "home-goal" of the Bachelet administration.

18. (U) According to press reports, Christian Democrats (DC) were particularly displeased with the limitations placed on public spending -- attributed to the fiscal strictness of Finance Minister Andres Velasco -- and that DC proposals were not included. One deputy commented to the press that, "even though we have DC ministers, it seems as though our party isn't even in government."

19. (SBU) Comment: Bachelet's 2 hour-plus speech contained few surprises and focused largely on social issues. That said, her frontal emphasis on a few contentious domestic policy points --

electoral reform and emergency contraception -- gives the initial impression she may go on the offensive in her final two years. Seventy-five percent of the public surveyed felt her speech was "better than expected." However, her glossing over of several of Chile's serious challenges -- slowing economic growth, inflation, the energy crisis -- make it look like her administration is ignoring the elephant in the room. The poorly handled seven percent exemption for pensioners issue is another example of a government that has been dogged by communication gaffes and coalition discipline problems from the beginning. With municipal elections approaching in October, Bachelet faces a tough challenge in pushing through her program -- most of which requires new legislation -- a task that is made more difficult by her recent loss of a majority in Congress just as the electoral climate begins to heat up.

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